III. CONSTRAINTS TO DEVELOPMENT

A. Purpose

This chapter discusses the impact of both governmental and nongovernmental constraints on housing development. Policies and requirements imposed by local government affect the cost and availability of housing. These can include growth management policies and programs, community plans, land use plans and controls, building codes, development regulations and processing procedures, and fees. In addition, numerous nongovernmental factors affect the cost and availability of housing. The most important of these are the costs of financing, land, construction, and market speculation.

B. Key Findings

Governmental Constraints

- **During the 1990's, approximately 70-90 percent of all residential development has been in the planned urbanizing communities. The majority has been in the form of large, multi-phase projects.**

- **The lack of adequate infrastructures in many of the urbanized communities continues to be a major impediment to accommodation of additional housing development, particularly where higher densities are involved.**

- **San Diego is preparing a new element of its General Plan called the Strategic Framework. It is anticipated that resolution of the infrastructure deficit in the urbanized areas will require a re-evaluation of the reliance on impact fees as the primary funding vehicle for public facilities in the urbanized communities (part of Strategic Framework).**

- **In the past, San Diego's development costs and processing times have been aggravated by the length and complexity of the zoning code. In recognition of the complexity, in 1993, the City embarked on an update of the zoning code. The new Land Development Code reduces review process procedure requirements for single family and multi-family units residential projects.**

- **Overall, the City has lost more than 10,000 potential multi-family units in the 1990's due to a pattern of developers proposing residential projects at densities substantially below those designated in community plans and existing zoning. Some reasons include high land costs and relatively low rents, the proliferation of construction defect lawsuits on condominium developments and a market preference for detached housing.**

- San Diego has enough land (classified as urbanized or planned urbanizing) to accommodate an additional 110,000 housing units, including 45,000 units on land designated for 29 units per acre or more. While the City has enough land to accommodate the housing needs through 2004, SANDAG's Regional Growth Forecast projects that the region will exhaust its supply of land, as presently planned, for residential uses, between 2010 and 2015.

- The Land Development Code resulted in adoption of a consolidated land use decision making process which became effective in 1993. The new ordinance reduced the number of permit processing tracks from more than twenty to five.

- During the post-Proposition 13 era, fees have come to constitute an increasing portion of the cost of new residential development in San Diego. Of necessity, the City's fee structure reflects a philosophy of requiring new development to pay for itself and to allow the City to recover its costs of processing new permits for development and for needed public facilities. The City currently has three types of fees: planning fees, building fees, and impact fees.

- Impact fees are the most significant type of fee associated with new residential development. Fees for water and sewer are assessed on a per unit basis rather than on unit size. Consequently, these fees are inversely correlated with unit size. Building permit fees are assessed on value, which is influenced by unit size.

- Between 1991 and 1993, permit processing times for discretionary permits have decreased by 36 percent. The average processing time for final maps also decreased by 50%. Since 1993, average permit processing times have continued to decrease, but at a slower rate. The average time for processing a ministerial permit declined by over 150 percent between 1991 and 1993. The average processing time for ministerial permits had increased slightly as of 1997 while other permit processing times have continued to decrease at a slower rate since 1993.

Non-Governmental Constraints

- The emergence of Low Income Housing Tax Credits has become an increasingly important source of development capital for affordable housing during the 1990's. As this source of capital has become more important, competition for the tax credits has become increasingly fierce. If successful, recent efforts to increase the credit "ceiling" could have a positive effect.

- **Widespread construction defect litigation and a consequent difficulty in obtaining insurance have dampened builders' interest in condominium construction. Lack of production of this housing type has contributed to extremely low vacancy rates and consequent upward pressure on rents and sales prices.**

- **Land suitable for residential development is increasingly scarce since most of the easy developable, relatively flat sites with good access and residential land use and zoning has already been developed. Increasingly, sites tend to be located on hillsides, other environmentally sensitive areas, or require redevelopment of an existing less intensive use.**

- **During the 1980's, the cost of land in San Diego increased much more rapidly than the overall cost of living. High land costs are probably the most important single factor in making one of the least affordable cities for housing in the nation.**

- **One result of the high land prices has been the gradual tendency to construct larger homes on smaller lots. In the long term, high land costs will likely continue to provide a strong incentive for maximizing development on small lots.**

- **Housing construction costs in San Diego for a single-family home ranges between $38 and $50 per square foot, excluding fees and land costs. Multi-family construction is more complex and the cost range can vary significantly. If multi-family construction is built on-grade with no underground parking, the cost can range from $46 to $50 per square foot. It climbs significantly to accommodate factors such as underground parking and multiple stories and can range from $85 to $105 per square foot.**

C. Governmental Constraints

1. Growth Management Program

In order to provide perspective, this section first discusses impacts incurred by San Diego's growth management program adoption in 1979. The second half discusses more recent efforts to update the program and to address unanticipated impacts of the 1979 program.

The 1979 growth management program was intended to reverse two related trends: (1) rapid population growth on the periphery of San Diego and (2) reduced or even declining growth in the central parts of the city. The decentralized development pattern of the 1970's contributed to rising public service costs caused by scattered development and inefficient urban forms. A general deterioration in the city's "quality of life" also resulted with the loss of open space and

agricultural land.

To reverse this trend, the Progress Guide and General Plan outlined a policy to redirect much of the growth into the older centralized urbanized communities and to phase the remaining growth to outlying newly developing areas in accordance with the availability of public facilities and services. It created a three-tier system to guide growth. All communities in San Diego were classified as "Urbanized," "Planned Urbanizing," or "Future Urbanizing."

The Urbanized area includes downtown and largely built-up older neighborhoods targeted for infill development, redevelopment, and rehabilitation.

The Planned Urbanizing areas are those communities anticipated to develop as new, planned communities. In these areas, land is to be opened for development in stages in accordance with the phased extension of public facilities and services.

The Future Urbanizing areas are mostly vacant and zoned primarily for agriculture. This land is to be held in reserve for future growth needs. These properties are subject to voter approval prior to permitting urban levels of development, as required by passage of the Proposition A growth initiative in 1985.

The policy of redirecting growth to the urbanized areas was very successful. While only 10 percent of all new residential development in 1979 was occurring in the urbanized communities, by 1983 this figure had risen to 60 percent. By the late 1980's, the momentum shifted back to the planned urbanizing areas. During the 1990's however, the recessionary economic conditions dampened market interest in infill and intensification in the older urbanized communities. The majority of residential development during the 1990's has been in the form of large, multi phase projects in the planned urbanizing communities. During the 1990's, the proportion of residential development occurring in the planned urbanizing communities has consistently been in the 70% - 90% range.

The success of the 1979 strategy of redirecting growth to the urbanized area created several unforeseen problems.

First, there was no mechanism in place to finance the additional infrastructure needed to support the higher intensities of development being created in the urbanized areas. Such a mechanism was in place in the planned urbanizing areas in the form of Facilities Benefit Assessments and impact fees. An implicit assumption of the 1979 Plan was that existing infrastructure in the urbanized areas would be sufficient to accommodate the additional development to be redirected there.

This assumption proved fallacious for three reasons: (1) the magnitude of development in the urbanized areas became far greater than was forecast; (2) residents of the urbanized areas expected facilities and services at the same standards as in the planned urbanizing areas; and (3)

the impact of the Statewide property tax limitation (Proposition 13) further reduced the funding available for infrastructure improvements.

In response to the need for additional infrastructure improvements, impact fees were finally imposed in all of the urbanized areas in 1987. The lack of adequate infrastructures in many of the urbanized communities continues to be a major impediment to accommodation of additional housing development, particularly where higher densities are involved. This problem is discussed more extensively under "Availability of Facilities and Services", p. 189 and under "Impact Fees.", p. 193.

Second, lack of adequate parking also became a particularly serious infrastructure problem. Extensive curb cuts created by new developments resulted in insufficient parking availability and reduced on-street parking. This problem was addressed in 1989 with the adoption of a Multi-Family Parking Standards Ordinance.

With the adoption of a new zoning code (see Land Use Controls section, p. 182) in 1998, the parking standards have now been simplified somewhat since requirements for supplemental parking have been consolidated with those for common area parking. Table 19 compares the parking standards in the old zoning code with those in the new Land Development Code. Figure 9 (page 181) compares the required amount of parking under the old and new basic standards for a hypothetical 100 unit multifamily project. Overall, as Figure 9 illustrates, there is relatively little difference in the two sets of standards.

Table 19
Comparison of Citywide Multi-Family Parking Regulations
City of San Diego
Previous Zoning Code vs. Land Development Code (LDC) Update[1]

		Basic[2]		Parking Impact Areas[3]		Transit Area[4]/ (Very Low Income units)[5]		
		Previous Zoning Code	LDC	Previous Zoning Code	LDC	Previous Zoning Code		LDC
						Transit Area[6]	Very Low Income Units	
Premises of 2 or more units	Studio Units of 400 s.f. or less	1.3	1.25	1.50	1.50	.90 .80 .70 .40	(N/A)	1.00
	1 BR units or studios larger than 400 s.f.	1.63	1.50	1.88	1.75	1.15 1.05 .95 .65	(1.30)	1.25

Table 19
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City of San Diego
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		Basic[2]		Parking Impact Areas[3]		Transit Area[4]/ (Very Low Income units)[5]		
		Previous Zoning Code	LDC	Previous Zoning Code	LDC	Previous Zoning Code		LDC
						Transit Area[6]	Very Low Income Units	
	2 BR units	1.95	2.00	2.25	2.25	1.40 1.30 1.20 .90	(1.56)	1.75
	3-4 BR units	2.28	2.25	2.63	2.50	1.65 1.55 1.45 1.05	(1.82)	2.05
	5+ units	2.28	2.25	N/A	Beach: 2.5 DU Campus: 1.0/BR	N/A	(N/A)	2.0

NOTES:

1.In the Land Development Code, parking reductions for high density and mixed-use developments are eliminated. Instead, shared parking is now available for all projects in place of mixed-use reduction.

2.Existing parking standards represent resident plus supplemental parking. The LDC update has eliminated the use of supplemental parking requirements and maintained Common Area parking requirements to provide guest parking in developments with a Planned Development Permit in planned urbanizing communities.

3.The parking impact ratio applies to development that is at least partially within a designated beach impact area or campus impact area.

4.Transit area parking ratio applies to development that is at least partially within a transit area or in conjunction with Transit Oriented Development Design guidelines.

5.The very low income unit parking requirements apply to dwelling units limited to occupancy by very low income households and development covered by an agreement with the San Diego Housing Commission.

6.In existing zoning code, supplemental parking requirements allow parcels located in a designated transit corridor, node or hub to have supplemental parking requirements reduced by the following: Transit Corridor, 10%; Nodal Corridor, 20%; Transit Node, 30%, Transit Hub, 60%. The corresponding values for each category are shown in this column.

7.Additionally, the Land Development Code update eliminates the four related reductions and consolidates them into one "Transit Area" reduction.

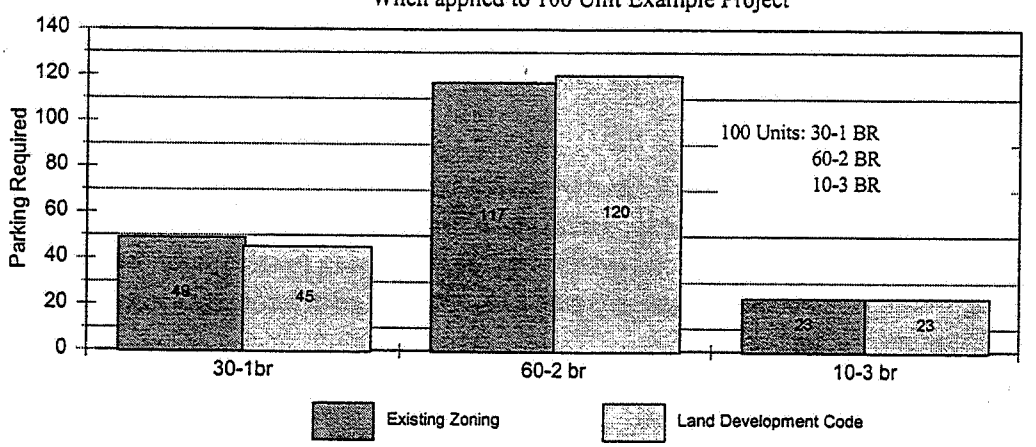
In addition to the parking issue, the quality of infill development in some of the urbanized areas was widely perceived to be detrimental from a design standpoint. The bulk and scale of new buildings were not proportionate with prevailing architectural character in many neighborhoods. Bulky four, six, and eight-plex apartment buildings with front yard parking and little or no landscaping was constructed in predominately single-family neighborhoods.

The City's zoning code permitted many of the poor design practices in the older neighborhoods. Additionally, the density recommendations of some community plans were not implemented and other community plans in retrospect had excessive density designations. Consequently, the City adopted "tailored zoning" to address the specific design and land use issues prevalent in each community. By 1990, more than 20 Planned District Ordinances had been adopted, primarily in the urbanized areas, to essentially replace the underlying zoning. Most of these ordinances

Figure 9

Basic Parking Requirements of Multi-Family Residential Developments

When applied to 100 Unit Example Project



Source: City of San Diego, Planning and Development Review Department

include specific design criteria intended to make multi-family structures more compatible with nearby single-family structures.

The resulting inappropriate or poor quality developments in the urbanized areas had the effect of persuading neighborhood and community leaders that higher density developments create impacts which are difficult to mitigate. However, the generally positive reaction to several mixed-use redevelopments in downtown, Hillcrest and elsewhere demonstrates that higher density developments can work if they exhibit a high quality of design which "fit" into the fabric of their immediate neighborhoods and adequately mitigate their impacts.

By the early and mid-1990's, the City began to see a pattern of developers proposing residential projects at density levels substantially below those designated in community plans and existing zoning. There are several reasons for this trend including the difficulty in making multi-family

projects "pencil out" due to high land costs and relatively low rents, the proliferation of construction defect lawsuits on condominium developments and a market preference for detached housing. Overall, the City has lost more than 10,000 potential multi-family units in the 1990's due to this trend.

2. Community Plans

The community plans in aggregate, comprise the Land Use Element of the Progress Guide and General Plan and are evaluated annually to determine whether the land use plan or its implementing actions need updating. As such, they specify the location and intensity of proposed residential development and the spatial relationship to other land uses and supporting facilities and services. The community plans are therefore a primary vehicle for carrying out the policies and programs of the Housing Element.

San Diego has over 40 identified community planning areas. Most of these communities have a community planning group which represents the community in most planning related matters. The Planning and Development Review Department works closely with these groups in preparing and updating community plans and in reviewing and making recommendations on individual development projects.

Where a particular community plan is out of date with respect to land use and transportation issues, the City will work closely with the appropriate community planning group as well as other interests to update it. In other situations where the land use plan is adequate, the City will focus on identifying a comprehensive action program to achieve the community's goals beyond simply land use (Volume I, p.10).

3. Land Use Controls

The policies and proposals of the community plans are implemented by a variety of land use controls. Although land use controls can take numerous forms, the most common is zoning, subdivision regulations, and environmental restrictions.

In the past, San Diego's development costs and processing times have been aggravated by the length and complexity of the zoning code (refer to "Permit Processing" and "Land Costs" sections). Prior to the zoning code update, San Diego's zoning code included more than 200 zones, over 20 Planned Districts, and approximately 10 overlay zones.

In recognition of the complexity of San Diego's zoning code and its impact on development processing, in 1993, the City embarked on an update of the zoning code. The update has been completed and is called the "Land Development Code." In October 1999, the City Council adopted the Land Development Code, final certification by the California Coastal Commission occurred in November 1999 and went into effect on January 1, 2000. Appendix P summarizes the primary regulatory requirements in the Land Development Code for all of the residential and

commercial zones (the zones which allow residential development).

With respect to its impact on housing affordability issues, the new zoning code reduces review process procedure requirements for single unit and multiple unit residential development and under certain conditions makes the development process less time consuming and more predictable. In addition, these changes will reduce the costs of development review for certain housing projects and allow provisions for alternative housing types such as townhouse units and small lot development.

Overall, the Land Development Code simplifies and consolidates zones. It creates new transit oriented zones including the Urban Village Zone, Small Lot Zone and Townhouse Zone in order to encourage higher density transit oriented development. Moreover, the City's Transit Oriented Development (TOD) Program, proposes to incorporate principles and guidelines to achieve a more compact development pattern into the Strategic Framework Element of the General Plan and amend the Transportation and Urban Design elements of the General Plan to incorporate the TOD guidelines (Volume I, p.82). Additionally, multi-unit developments proposed for a legally created lot are now permitted through a ministerial action to enable an owner to generate the maximum number of units permitted by the designated zoning. A threshold requirement which required multiple unit projects exceeding the threshold to obtain a discretionary land use permit was eliminated. However, multiple unit developments involving lot consolidation must still obtain a discretionary permit if they exceed a specified threshold.

The revised regulations also codify adopted policies or clarify regulations that provide mechanisms for encouraging higher density mixed use development through the use of zones, overlays, and transit corridors that offer other forms of housing. Through these changes, potential affordable housing developments would be encouraged. Mixed use developments do still require a discretionary land use permit in order to help assure high design quality. Finally, the updated zoning code and development regulations would still allow residential developments to achieve the maximum number of units permitted by the underlying zone.

Although the Land Development Code incorporates a number of changes from the previous zoning code which facilitate housing affordability, several provisions remain which, if modified, could further enhance affordability These provisions include

a. <u>Continued Existence of a Threshold Requirement for Multiple Unit Projects which involve Lot Consolidation.</u>

The Land Development Code eliminated the previous threshold requirements which were applicable to all multiple unit developments, but retained the threshold for projects involving lot consolidation. Also, the Golden Hill Planned District retains a threshold requirement for multiple unit projects. The purpose of this threshold requirement is to control the pattern of development relative to the pattern of existing development so that a new development can properly "blend in." However, by incorporating design standards

into the base development regulations, this purpose can be achieved through a ministerial review. The threshold requirement in the Golden Hill PDO can be addressed when that particular Planned District is updated.

b. Parking Standards which Allow On-Street Parking Spaces to Count Toward Meeting the Standards, but only Through a Discretionary Review

Again, this regulation can be administered ministerially by incorporating appropriate performance standards into the parking regulations, eliminating the requirement for a discretionary permit here. For example, an applicant might be required to provide a survey for a specified period of time, documented by pictures showing time and date, with his building permit application to document on-street space availability. There may be a standard of X street spaces available within Y feet of the front door of the structure.

c. Continued Reliance on Planned District Ordinances to Regulate Zoning in Many Parts of the City.

As was previously discussed on Page 180, San Diego has over 20 individual Planned Districts in addition to the citywide zoning in the Land Development Code. Most of the Planned Districts are in the older urbanized communities and include specific design criteria intended to make multiple unit structures more compatible with nearby single-family structures. However, the continued reliance on the PDO's creates a confusing array of design standards and regulations which make administration difficult. They also contribute to increased housing development costs because individual developers must vary their product designs to meet the different requirements.

As individual Planned Districts are updated, the City intends to consolidate Planned Districts where possible or use the citywide zones in the Planned District areas, perhaps with some tailoring to specific circumstances where necessary. The Central Urbanized PDO which became effective in November 2000, illustrates this approach.

d. Required Discretionary Review in Planned Districts

Typically, Planned Districts require discretionary review for some or many development projects. For example, Carmel Valley, La Jolla, La Jolla Shores, Mission Beach and Old San Diego all require discretionary review for all development projects to ensure that they meet the architectural and design standards specified.

Golden Hill and Mid-City allow projects which meet the minimum standards to be processed ministerially. Minor deviations can be a Process 2 review (staff review with possibility of appeal to Planning Commission). More major deviations and projects which exceed a specified threshold are a Process 3 review (public hearing before a hearing officer with possibility of appeal to Planning Commission). The Central

Urbanized PDO incorporates the thresholds for lot consolidation previously described.

As individual PDO's are updated, city staff will be working with the affected community planning groups to reduce the degree and level of discretionary reviews by utilizing the citywide base residential zones wherever possible or, in some cases by incorporating stronger performance standards into the PDO base zones.

e. Some Planned District Ordinances do not allow a Planned Development Permit as a Means of Providing Flexibility in Meeting Development Regulations.

Planned Development Permits are a feature of the Land Development Code which allow an applicant to request greater flexibility from the strict application of the development regulations than would be allowed through a deviation process. The intent is to encourage imaginative and innovative planning and to help assure that a development achieves the intent of the applicable community plan and that the development would be preferable to what would be achieved by strict conformance with the development regulations.

Six Planned Districts do not allow the use of a Planned Development Permit however. They are Golden Hill, Mid City, Mission Beach, Otay Mesa, San Ysidro and Southeastern San Diego. Again, as these Planned Districts are updated, the City staff will work with the affected community planning groups to introduce this tool to promote flexibility.

f. Companion Unit Regulations which are Unnecessarily Restrictive.

The City's Companion Unit regulations are very restrictive. These provisions include:

1. The City's rental housing vacancy rate must be below 5 percent in order for the City to accept applications

2. Companion units are prohibited in the Coastal Zone

3. The occupant of the companion unit must be related to the owner, be a senior citizen, or be disabled.

4. Companion units are limited to no more than 5 percent of the total number of single dwelling units in a community plan area.

5. There must be a determination that public facilities and services are adequate to service the companion unit.

However, the City Council's Land Use and Housing Committee have recognized that these provisions may be unduly restrictive and consequently has directed the Planning

Department to prepare an amendment for public review which would remove these provisions in order to facilitate the use of companion units as a tool to expand housing opportunities. The Planning Department intends to draft a proposed amendment for public review and City Council consideration during the fiscal year which began July 1, 2001.

g. Insufficient use of Master Environmental Impact Reports for Major Planning Projects such as Redevelopment Plans and Specific Plans which will Form the Basis for Future Decision-Making.

Master Environmental Impact Reports (MEIR's) are authorized in the CEQA Guidelines as a way to streamline subsequent environmental review of projects included within the scope of the Master EIR While Master Environmental Impact Reports (MEIR) have been used extensively by the Centre City Redevelopment Corporation for development downtown, they have not been used with the same regularity for other redevelopment plans or specific plans. One reason may be the risk of exposure to potential litigation based on inadequate review of individual projects pursuant to adoption of an MEIR. However, this concern can be overcome through appropriate analysis and the preparation of findings to the Master EIR which document and conclude that subsequent projects are covered in the MEIR.

Master EIR's appear to be ideally suited to assess the environmental impacts associated with large and complex projects or phased land use and redevelopment plans. Article 11.5 of the CEQA Guidelines specifically state that "a Master EIR shall, to the greatest extent feasible, evaluate the cumulative impacts, growth inducing impacts, and irreversible significant effects on the environment of subsequent projects." Subsequently, Findings and when necessary, Addenda can then be used to disclose consistency with, or minor technical changes not addressed in the initial MEIR Accordingly, City departments and private developers proposing large and complex projects or phased land use and redevelopment plans will be strongly encouraged to make use of an existing MEIR as an alternative to a project specific CEQA document, when that document can be supported by the appropriate analysis and findings.

h. Decision Process Levels in the Land Development Code which may be Unnecessarily High for Some Types of Residential Projects.

The Land Development Code and many Planned Districts allow minor deviations (typically defined as deviations of 20% or less from the applicable development regulations) to be considered as a Process 2 (staff review with possible appeal to Planning Commission) decision. Major deviations (typically defined as more than 20% deviation from the applicable regulations) are considered as a Process 3 decision. In order to further facilitate the permit approval process, minor deviations could be shifted from Process 2 to Process One (compliance with ministerial regulations) and major deviations

could be shifted from Process Three (Hearing Officer Public Hearing with possible appeal to Planning Commission) to Process Two.

4. Land Inventory

This section estimates the amount of vacant, infill and redevelopment land in the City zoned for residential development. These estimates are based on the City's Land Use Database, the City's Geographic Information System and SANDAG's Regional Growth Forecast assumptions.

Table 20 indicates the amount of vacant, infill and potentially redevelopable land and the potential number of housing units which could be accommodated.

Table 20
Zoning Inventory of Residential Land in Urbanized and Planned Urbanizing Areas
City of San Diego

Du/Ac	Housing Type	Vacant Land		Infill and Redevelopment		Total	
		Acres	Units	Acres	Units	Acres	Units
0 - 10	Single-Family	8,400	19,063	555	3,815	8,955	22,878
10.1 - 29	Townhouses and Condos	2,059	19,849	1,125	21,994	1,824	41,843
+ 29.1+	Apts and Condos	243	8,689	435	36,799	678	45,488
Total		10,702	47,601	2,115	62,608	11,457	110,209

Source: City of San Diego, Land Use Database, Geographic Information System; SANDAG 2020 Regional Growth Forecast Land Use Inputs, September 1998

Table 20 represents a summary of land available by zone. It includes both vacant land and underutilized land potentially available for infill or redevelopment. The information is summarized by density range and is a compilation by community plan area by zone. The land inventory was compiled utilizing the City's Geographic Information System and importing additional information layers from the City's Land Use Database and land use inputs from SANDAG's 2020 Regional Growth Forecast.

Table 20 shows that San Diego has enough land planned to accommodate an additional 110,000 housing units, including 45,000 units on land designated for 29 units per acre or more. This inventory includes only land classified as Urbanized or Planned Urbanizing. It does not include any land in the Future Urbanizing Area because the Future Urbanizing Area does not have basic

facilities and services in place yet to accommodate densities higher than rural.

It should be acknowledged however, that about 24,000 of the 45,000 units zoned for 29.1 units per acre or higher are in the Centre City (downtown) area where average densities are at 130 units per acre. This level of density requires a different construction type than the standard wood frame, known as "Type V," typically utilized for structures of 4 stories or less. Most residential developments downtown would be built using "Type I" or "Type III" construction. These construction types utilize more steel and less wood frame and also involve more seismic safety costs. As of Spring, 2001, the construction cost per square foot of Type V construction was about $70 per square foot. Type III construction costs $120 - $130 per square foot and Type I construction costs $130 - $160 per square foot. Obviously, these significantly higher construction costs adversely impact housing affordability. Fortunately, most of Centre City is a Redevelopment Project Area which is expected to generate approximately $20 million in Low-Moderate Income Housing Set Aside Funds during this Housing Element cycle for use in developing housing affordable to low and moderate income households. This factor at least partially mitigates the high construction costs associated with Type I and Type III construction.

Table 21 compares the City's land inventory to its regional share goals, as assigned by SANDAG. It indicates that San Diego has enough land in all density categories to accommodate its regional share goals. While San Diego has sufficient land to accommodate its housing needs through 2004, SANDAG's Regional Growth Forecast projects that, based on current adopted land use plans, the region, including San Diego will exhaust its supply of land as presently planned, for residential uses between the years 2010 and 2015.

In order to prepare for this circumstance, San Diego is preparing a new element of its General Plan called the Strategic Framework. The primary purpose of this element will be to plan for San Diego's share of the additional growth that SANDAG is projecting in the region by 2020. Additionally, as a byproduct of the Process 2000 program, a development monitoring system is being planned which will enable the City to keep track of the City's remaining land capacity (Volume I, pp.10, 53).

Ultimately, the marketplace in conjunction with planned land use designations, will determine how this land actually is utilized, the number of housing units built and in which density ranges.

Table 21 Residential Land Inventory vs. Regional Share Goals, 1998			
Income Category	**Density Range**	**Regional Share Goal**	**Housing Unit Inventory[7]**
Very Low-Income	29.1+	7,463	45,488
Low-Income		6,797	
Moderate-Income	10.1 - 29	9,137	41,843
Above Moderate-Income	0 - 10	16,388	22,878
Total		**39,785**	**110,209**
Sources: Regional Share Goals from SANDAG Regional Housing Needs Report Housing Unit Inventory from City of San Diego, Land Use Database and Geographic Information System			

5. Availability of Facilities and Services in Relation to Land Inventory (Including Availability of Facilities and Infrastructure in Urbanized Communities)

The City's system of Development Impact Fees (DIFs) and Facility Benefit Assessments (FBAs) provides assurance that public facilities will be available to support new development. Urbanized areas generally provide basic infrastructures. However, in many urbanized communities, the transportation, library, park and recreation and public safety facilities do not meet General Plan standards. This deficit is primarily due to the lack of funds to provide needed facilities that had not been provided in the 1970's and 80's in concert with the additional housing units being built. Impact fees revenues simply enable the City to provide facilities generated by new development or redevelopment but do nothing to close the facility shortfall. In the Planned Urbanized Areas, the DIFs and FBAs provide assurance that adequate facilities will be provided.

The infrastructure deficit in many of the urbanized communities is beyond the scope of the Housing Element to resolve alone since this issue is integrally related to other issues including pressure for many local jurisdictions to pursue "fiscal zoning" in order to maximize sales tax revenue. Proposition 13 limits on property tax have placed pressure on local governments to find alternative ways to pay for services and infrastructure other than utilizing property tax revenues. Consequently, cities are inclined to pursue economic development more than housing. The interrelatedness of these and other critical issues affecting San Diego's ability to accommodate

[7]Implicit in this table is an assumption that minimum densities of 29 housing units per acre are needed to economically develop housing affordable to very low and low income households. Housing affordable to moderate income households assumes a density range of 10.1 - 29 housing units per acre. Housing for above moderate income households assumes densities of 10 housing units per acre or less.

future growth is a primary reason why the City has begun to prepare a new element of its General Plan called the "Strategic Framework."

The Strategic Framework is intended to lay out a vision to guide future growth and development in San Diego and to lay out a number of overarching principles and guidelines to provide direction for updating other General Plan elements that do not reflect current conditions and realities. The infrastructure deficit in the urbanized communities is one of the most critical issues that the Strategic Framework element will attempt to resolve. It is anticipated that resolution of the infrastructure deficit in the urbanized areas will require a re-evaluation of the reliance on impact fees as the primary funding vehicle for public facilities in the urbanized communities (Volume I, p.56).

6. Building Codes and their Enforcement

The primary purpose of building, plumbing, and electrical codes is the protection of public health and safety. This is achieved through the setting and enforcement of minimum standards for design, materials, and workmanship. The City of San Diego has adopted nationally recognized model codes as its basic building laws. San Diego has adopted (with minor exceptions) the Uniform Building Code, Uniform Mechanical Code, Uniform Plumbing Code, and National Electrical Code. These codes are promulgated by technically qualified professional organizations and were last updated in 1994. These codes are adopted by most cities and counties in the western United States as well by the State of California. The Uniform Building Code, as adopted by San Diego, specifies that the minimum size for a housing unit is 220 sf.

Individual building code requirements can sometimes act to impede the development of affordable housing by requiring specific materials or construction techniques which may not necessarily reflect the latest, most cost-effective technology. San Diego, has adopted several pioneering policies to allow "code-equivalent substitutes" in order to reduce per-unit development costs, thereby promoting the development of Single Room Occupancy (SRO) hotel units. These changes have allowed San Diego to become the national model for developing new or rehabilitated SRO's (Volume I, pp.16-17).

The City will also continue to utilize a "carrot and stick" approach by coordinating building code enforcement with housing rehabilitation programs. Additionally, new and existing property owners will be encouraged to participate in self-help workshops on housing maintenance.

7. Site Improvements

"On-site" improvements include facilities such as streets, sidewalks, storm water and sanitary sewers, water lines, and other utilities which directly serve the site being developed. "Off-site" improvements include facilities to accommodate traffic, recreational, public safety, and other "off-site" demands generated by a development. The City of San Diego requires developers to provide necessary on-site improvements as part of the total project development. Similarly, the City also requires developers to provide necessary off-site improvements either directly or

indirectly through the payment of Development Impact Fees (DIFs) or Facilities Benefit Assessments (FBAs). DIFs and FBAs are discussed in the "Impact Fees" section.

The cost of on-site improvement costs has increased primarily because the City has raised its standards for streets, curbs, gutters, and sidewalks since 1990. Off-site improvements costs are also often assumed by the developers since Proposition 13 has imposed Property tax limitations. These costs will be addressed as part of the infrastructure issue within the "Strategic Framework" Element of the General Plan (Volume I, pp.55-56).

8. Fees

During the post-Proposition 13 era, fees have come to constitute an increasing portion of the costs of new residential development in San Diego. Of necessity, the City's fee structure reflects a philosophy of requiring new development to pay for itself and to allow the City to recover its costs of processing new permits for development and for needed public facilities. Ultimately, some portion of fees are passed on to home buyers and renters, depending on economic conditions.

The following section discusses the City's three type of fees: planning fees, building fees, and impact fees.

a. Planning Fees

Planning fees have traditionally been applied to applications for community plan amendments, rezonings, planned unit developments, subdivision maps, and environmental impact reports and allow the Development Services Department to recover its costs for processing these applications.
The City requires applicants for various types of permits to pay either a flat fee or deposit, based on the anticipated number of hours required to process the permit application and the department's overhead rate. If additional staff time is required beyond that anticipated, the applicant is required to pay an additional deposit amount, equivalent to the number of hours anticipated to complete processing of the application. After project completion, any remaining funds are returned to the applicant. In order to provide more certainty and predictability for permit applicants, the Development Services Department has converted some deposits to flat fees and additional deposits are being studied for possible conversion to flat fees.

Table 22 compares planning deposit and fee levels applicable to new residential developments as of August 1994 with planning fee levels in October 1997. This table illustrates the Development Services Department's progress in converting some deposits to flat fees in that time frame.

Table 22
Planning Deposit / Fee Levels in August 1994 vs. October 1997

Deposit or Fee	August 1994	October 1997
Coastal Development Permit	$2,650 deposit	$2,650 deposit
Community Plan Amendment	$3,000 deposit	$3,000 deposit
Community Plan Implementation Overlay Zone, Type A	$700 fee	$735 fee
Community Plan Implementation Overlay Zone, Type B	$2,500 deposit	$5,145 fee
Development Agreement	$7,000 deposit	$7,000 deposit
Environmental Impact Report	$7,500 deposit	$7,500 deposit
Environmental Initial Study	$2,500 deposit	$630 fees
Environmental Exemption	$60 fee	$63 fee
Hillside Review Permit	$2,250 deposit	$2,250 deposit
Landscape Ordinance Processing	$200-$975 fee	$200 fee
Plan Check	$200-$450 fee	$52.50-$472.50
Planned District Ordinance	$2,600 deposit	$1450-$4357.50[8]
Planned Residential Development	$2,600 deposit	$2,600 deposit
Preliminary Development Review	$700-$1,750 fee	$735-$1,837.50[9]
Resource Protection Overlay Ordinance	$2,500 deposit	$2,500 deposit
Rezonings	$2,500 deposit	$2,500 deposit
Tentative Map/Parcel Map	$3,600 deposit	$3,600 deposit
Vesting Tentative Map/Parcel Map	$5,000 deposit	$5,000 deposit

Source: City of San Diego, Planning and Development Review Department

b. Building Fees

Building (construction permit) fees vary with the estimated valuation of the building. In 1990 the building permit fee for a $125,000 condominium was $727 whereas in 1997 the same

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[8]Cass Street Commercial Planned District, $3,307.50; Barrio Logan Planned District, $2,600; Golden Hill Planned District, $2,600; La Jolla Planned District, $1,450, La Jolla Shores Planned District, $2,600; Mid-City Planned District,$1,450-$2,600, Mission Valley Planned District, $2,600; Old Town Planned District, $2,600; Southeastern San Diego Planned District, $2,600; West Lewis Street Planned District, $3,307.

[9]Residential
1-25 Dwelling Units.....$ 735.00 Fee
26-100 Dwelling Units....$1,102.50 Fee
101-Up Dwelling Units...$1,837.50 Fee

fee had increased to $926. Building permit fees for a single-family home valued at $250,000 also increased in the same time frame from $1,165 to $1,426. Separate electrical, mechanical, plumbing and gas fees are applicable to all multi-family construction. These fees vary in cost, depending on the number and type of plumbing, gas, mechanical and electrical installations desired. The overall total for building fees, including plan check, building, plumbing, gas, mechanical, and electrical permits can vary from approximately $1,500 to $3,000[10], depending on the estimated valuation and the number of electrical, mechanical, plumbing and gas connections needed.

c. Impact Fees

Impact fees are the most significant type of fee associated with new residential construction. Fees for water and sewer connections are set at a standard rate throughout the City. Impact fees covering parks, roads, libraries, fire stations, and other community facilities vary by community. Facilities Benefit Assessments (FBAs) are utilized in many of the planned urbanizing areas. These may include all infrastructures required for a particular community. Development Impact Fees (DIFs) are utilized all urbanized areas. DIFs usually provide for more limited improvements in the urbanized areas where much of the basic infrastructure is already in place, though as previously stated, not up to General Plan standards. The specific fee level is set based on the land uses recommended in the adopted community plan and the accompanying facilities financing plan which projects the level of facilities needed to accommodate the level of development proposed in the community plan.

The increasing use of impact fees to assist in financing infrastructure requirements is a continuing long-term response to the limitations imposed by Proposition 13. San Diego and other California cities have had to increasingly utilize tools such as DIF's and FBA's to assist in financing infrastructure needs.

However, the provision and maintenance of infrastructure and public facilities have been severely strained in the last two decades. The limitations have been particularly felt in the older urbanized communities of San Diego with the adoption of Proposition 13 in 1979, resulting in reductions in the rate of growth in the property tax. In 1987, the City Council enacted development impact fees (DIF's) in the urbanized communities to assure that development would pay a portion of the cost of facilities needed to maintain existing levels of service of the community.

In addition to impact fees and DIF's, the City also assesses water and sewer capacity charges. In order to generate a more business friendly environment and to promote housing affordability, in 1996, the City Council reduced these fees by 50% from $5,000 each for water and sewer hookups per equivalent dwelling unit (edu) to $2,500 per edu.

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[10]For fee schedule refer to City of San Diego, Planning and Development Review Department, Information Bulletin 102 and 103.

In response to projections for increasing affordable housing needs and increasing fees, the Planning Department is in the process of updating its method of financing public facilities. The Strategic Framework Element of the General Plan in addition to the update of the Housing Element will re-examine the infrastructure deficit and propose alternate methods for financing infrastructure in urbanized communities (Volume I, pp.55-56). The Strategic Framework Element is projected to be completed by the beginning of the year 2000.

Table 23 provides the applicable DIFs and FBAs, by Community Planning Area for single-family and multi-family units.

Table 23
Development Impact Fees or
Facilities Benefits Assessment
City of San Diego, Fiscal Year 1999 [11]

PLANNED URBANIZING COMMUNITIES		
Community	**Multi-Family Unit**	**Single-Family Unit**
Carmel Mt. Ranch[12]	-	-
Carmel Valley -N	$10,040	$14,342
Carmel Valley - S	$10,040	$14342
Del Mar Mesa	$20,370	$29,100[13]
Fairbanks Ranch	$8,649	$12,355
Miramar Ranch	-	-
Mira Mesa	$6946	$9,923
North University City	$5,571	$7,959
Otay Mesa[14]	$3,893	$5,561
Pacific Highlands	$8,521 (8,276)[15]	$12,173

[11] A developer usually pays one or the other (FBA or DIF), not both.

[12] Public facilities in Carmel Mountain Ranch and Miramar Ranch North are paid through developer agreements. In addition, Miramar Ranch North has a cost reimbursement district under which developers of individual projects reimburse the master developer for facilities paid for up front.

[13] A-1-1 Zone Single Family - $27,354

[14] Updated Plan in Process. Fees subject to change.

[15] Del Mar Highlands Estate only.

Community	Multi-Family Unit	Single-Family Unit
Rancho Bernardo[16]	$301/141	$301/201[17]
Rancho Penasquitos	$10,450	$14,929
Sabre Springs	$2,369	$3,384
San Pasqual	$1,176	$1,680
Scripps Miramar R	$2,664	$3,805
Tierrasanta	$2,823	$4,033
Torrey Highlands	$11,827	$16,896
Via de la Valle[18]	-	$3,072
URBANIZED COMMUNITIES		
Community	**Multi-Family Unit**	**Single-Family Unit**
Barrio Logan	$924	$924
Centre City	$400	$400
Clairemont Mesa	$1,480	$1,480
College Area	$2,484	$2,484
Golden Hill	$1,821	$1,821
Kearny Mesa	$1,545	$1,545
La Jolla	$3,138	$3,138
Linda Vista[19]	$783	$783
Mid City[20]	$2,417	$2,417
Midway/Pacific	$515	$515
Mission Beach	$1,590	$1,590
Mission Valley	$2,307	$2,307
Navajo	$2,162	$2,162
North Park[21]	$1,920	$1,920
Ocean Beach	$3,063	$3,063

[16]Vista del Lago only: Special Park Fee Single / Multi- Family

[17]These fees will only be in effect until a full-scale public Facilities Financing Plan is approved by City Council.

[18]Not yet Approved by City Council.

[19]Includes $129 per DU for the Linda Vista Community Center

[20]Credit against DIF is given for special park fee.

[21]Credit against DIF is given for special park fee.

Community	Multi-Family Unit	Single-Family Unit
Old San Diego	$1,110	$1,110
Otay-Mesa-Nestor	$1,589	$1,589
Pacific Beach	$2,431	$2,431
Peninsula	$2,510	$2,510
San Ysidro	$3,486	$3,486
Serra Mesa	$1,526	$1,526
Skyline/Paradise Hills	$970	$970
Southeastern San	$2,430	$2,430
Tijuana River Valley	$3,486	$3,486
Torrey Pines	$3,474	$3,474
South University City	$290	$290
Uptown	$800	$800
Future Urbanizing Area		
Community	**Multi-Family Unit**	**Single-Family Unit**
North City	$12,860	$18,371[22] $22,046[23]
Source: City of San Diego, Planning and Development Review Department		

Table 23 illustrates that the fees are the same for single-family and multi-family units within a given community in the Urbanized Areas, but differ for single-family and multi-family units in the Planned Urbanizing Areas. The reason for this difference is that the Urbanized Area communities are largely built out and that therefore the vast majority of housing units in these communities are multi-family, primarily through infill and redevelopment.

However, because the Planned Urbanizing Area communities are being developed on vacant land, considerably more variety in housing type occurs. Research has indicated that single-family units have higher trip generating rates than multi-family units. Hence, the impact fees for single-family units are higher than for multi-family units.

Table 23 also illustrates the wide variation in DIF's and FBA's for different communities. Such variation is due to variations in the extent and intensity of infrastructure requirements in different communities, as identified in the Facilities Financing Plans for each community. The Facility Financing Plans in turn are based on the community plans for each community which identify the appropriate land use intensities and corresponding transportation and public facilities needed to support those land uses.

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[22]Single-family detached

[23]Estate Homes (Density of 1, or fewer, per acre)

d. Overall Effect of Fees on Housing Costs

Tables 24 and 25 show the combined effect of permit fees, exactions and water and sewer fees for four hypothetical project types. "Exactions" in Table 23 include park fees, development impact fees, County Water Authority fees, and school fees. Table 24 shows only those fees charged by the City of San Diego. Overall, Tables 23 and 24 show that the larger the housing unit, the higher the fees will be. There is relatively little variation in the building permit fee on a square footage basis for the four housing types. Building permit fees are based on the estimated valuation of the building which is influenced by its size. The impact fees and water and sewer fees tend to be inversely correlated with square footage because they are assessed on a per unit basis regardless of size. For a fee to be assessed on the size of the unit rather than per unit there would have to be a direct correlation between unit size and demand for the particular facility. Previous studies on this relationship have failed to find a relationship between size of facility and demand for those facilities which are currently assessed per unit. However, as previously stated, the Strategic Framework Element will take a fresh look at the method of financing infrastructure in San Diego.

Table 24
Permit Fees for Sample Projects, September 1997
City of San Diego

Type of Project	Total Building Permit and Inspection Fees	Building Permit Fees Per Sq. Ft.	Exactions and Water & Sewer Fees Total Per Dwelling	Exactions and Water & Sewer fees per Sq. Ft.	Total Cost Per Dwelling Unit
1,000 s.f. Condo unit in 9 unit bldg[24]	$718.59	$0.72	$7,012.89-$25,832.89	$7.01-$25.83[25]	$7.731.48-$26,551.48
1,300 s.f. Condo Unit in 9 unit bldg[26]	$848.89	$0.65	$8,235.89-$27,085.89	$6.34-$20.84	$9,084.78-$27,934.78
1,800 s.f. Single Family Residence[27]	$2,021.10	$1.12	$10,248.92-$35,192.72	$5.69-$19.55	$12,270.2-$37,213.82
4,600 s.f. Single Family Residence[28]	$2,992.72	$0.65	$15,965.00-$41,170.00	$3.47-$8.95	$18,957.72-$44,162.72

Source: City of San Diego, Land Use and Housing Technical Advisory Committee Report, Impediments and Recommendations on Housing Affordability, September 1997.

[24]This project is one condominium unit in a 9 unit project. The building permit and plan check fees shown are the fees divided by nine units.

[25]"Exactions" include park fees, development impact fees and facility benefit assessments, County Water Authority fees and school fees. County Water Authority fees depend on the number, type and size of meters requested or provided by the building. It is assumed that one meter is provided per project rather than one meter per unit. School fees vary by school district ($1.84 per sq. ft. - $2.97 per sq. ft, except for condominiums for which the maximum is $1.94 per sq. ft).

[26]This is one condominium unit in a 9 unit building. The building permit plan check fees shown are the fees divided by the nine units.

[27]This project is a single family residence permitted through the master plan process.

[28]The project is a single family residence permitted through the master plan multi-unit process.

Table 25
Comparison of Fees Charged by the City of San Diego for Different Housing Types

Type of Project	Building Construction Valuation	Building Permit Plan Check Fees[29]	Building Permit Plan Inspection Fees[30]	Park Fees[31]	Development Impact & Facilities Benefit Assessment Fees	Water & Sewer Capacity Fees[32]	Water & Sewer Meter Installation Fees	Total
1,000 sq.ft. Apt. or Condo in a 9 unit Bldg.	$70,939	$341.12	$377.47	$0-$75	$0-$15,000	$4,222	$75-$3,270	$5,016-23,286
1,300 sq.ft. Apt. or Condo in a 9 unit Bldg.	$93,609	$394.67	$454.22	$0-$75	$0-$15,000	$4,893	$75-$3,720	$5,817-$24,537
1,800 sq.ft. Single-Family Residence	$148,912	$633.36	$1,387.74	$0-$100	$0-$21,000	$5,000	$75-$3,720	$7,096-$31,841
4,600 sq.ft. Single-Family Residence	$292,964	$913.81	$2,078.91	$0-$100	$0-$21,000	$5,000	$75-$3,720	$8,068-$32,813

Source: City of San Diego, Land Use and Housing Technical Advisory Committee, Impediments and Recommendations on Housing Affordability Report, September 1997.

9. Permit Processing

The length of time necessary to process development proposals and permit applications is often cited by developers as a key constraint to residential development. There is considerable variation in this time frame. Traditionally, infill housing in urbanized, residentially zoned areas of the city can be processed more quickly than new subdivisions on the periphery of the urban area. This is because infill projects tend to be relatively small and scattered whereas new subdivisions tend to be large and frequently have multiple phases and significant environmental

[29]The building permit plan check fees include the application fee, energy conservation plan check fee, access plan check fee, landscape plan check, and all other types of applicable plan check fees.

[30]The building permit inspection fees include the energy conservation permit fee and all other type of applicable permit process fees.

[31]This fee is calculated per dwelling.

[32]Water and sewer fees are charged per dwelling unit. Multi-family construction is given a density discount.

issues that need to be evaluated.

In response to increasingly complex requirements for project review and a desire to take a more proactive posture in stimulating economic activity in San Diego during recessionary economic conditions, in March 1993, the Mayor and City Council directed that a 50% reduction in the City's permit processing time be achieved by September 1993.[33]

Permits involved in the development process fall into three categories:

(1) Discretionary permits - The major types of discretionary permits include tentative maps, coastal development review permits, hillside review permits, planned district ordinance (PDO) permits and planned residential development permits (PRD's).

(2) Ministerial engineering permits (Final Map): primarily consist of final maps, associated public improvement drawings, and grading authorization for private areas of the project, all of which must be consistent with the discretionary approval previously obtained for the proposed project.

(3) Ministerial Building Permits: deal with the construction details of new buildings or alterations to existing buildings to ensure that the project conforms to construction standards such as the building and fire codes. In addition, conformance to the proposed standards use to the previously approved discretionary action or zoning is also checked.

Table 26 summarizes the average processing times for discretionary and final map permits. This table shows that average permit processing time for discretionary permits dropped from 34.9 weeks in FY 1991 to 22.3 weeks in FY 93, a reduction of 36%. The average processing time for final maps decreased from 49 weeks to 24.5 weeks, a reduction of 50%. Since 1993, average permit processing times have continued to decrease, but at a slower rate. Additionally, the average time for processing a ministerial permit declined significantly from 2.3 weeks in 1991 to 0.9 weeks in 1993. Since 1993, the average processing time for ministerial permits has increased slightly to 1.3 weeks as of 1997.

[33]The reductions were measured using Fiscal Year 1991 figures as the base.

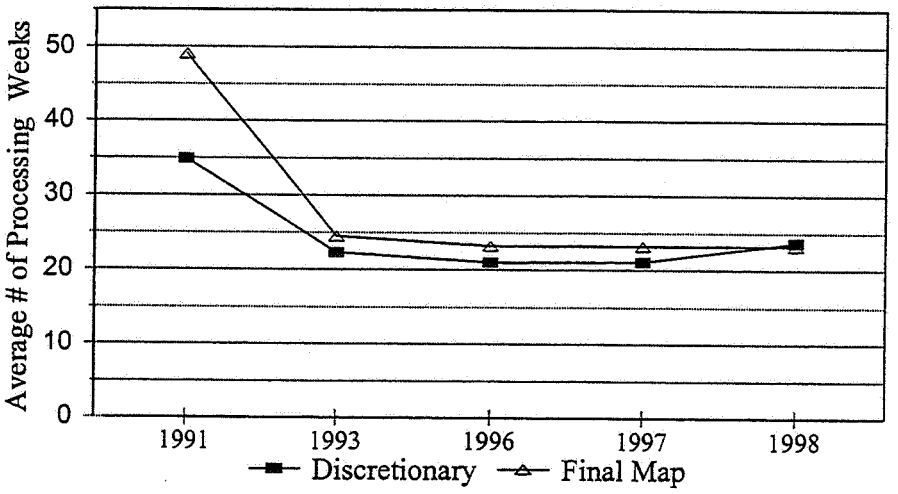
Table 26
Discretionary and Final Map Permit Processing
City of San Diego, FY 1991-1998

	1991		1993		1996		1997		1998	
	# Projects	Average Processing Weeks	# Projects	Average Processing Weeks	# Projects	Average Processing Weeks	# Projects	Average Processing Weeks	# Projects	Average Processing Weeks
Discretionary Permits	329	34.9	329	22.3	183	21	179	21.1	99[34]	23.7
Final Map Permit	56	49	56	24.5	51	23.2	51	23.2[35]	51	23.2[36]

Source: City of San Diego, Planning and Development Review Department

Figure 9 illustrates the average processing time reductions for discretionary and Final Map permits.

Figure 10
Average Processing Time for Discretionary and Final Map Permits
City of San Diego, Fiscal Year 1991-1998



Source: City of San Diego, Development Services Department

[34]In fiscal year 1998, only Discretionary Project Data was available. Therefore, the total number of projects has declined by comparison.

[35]Actual data for this permit category for fiscal year 1997 and 1998 is not available, therefore fiscal year 1996 amounts are assumed.

[36]Actual data for this permit category for fiscal year 1997 and 1998 is not available, therefore fiscal year 1996 amounts are assumed.

On a combined basis[37], between fiscal years 1991 through 1998, the City achieved an average permit processing reduction of 52.7 percent.

However, these reductions were based on short term modifications to the development process. To sustain these improvements over a long term and during increased periods of activity, the City began a comprehensive redesign of the development process, called "Process 2000." A comprehensive review completed in 1993 identified specific recommendations for system improvements. These included changes to the organizational structure of the departments involved in the review process, physical collocation of development review activities, use of technology, revisions to the regulatory environment, and changes to the core development review processes. The new system's objectives are to improve coordination of reviews among city departments, significantly reduce the time and cost required to process permits and create more predictability in the permit review process for applicants. In July 1997, components of the system were put into effect citywide.

Process 2000 is continuing to be refined and developed. Key changes completed as of September, 1998 include department restructuring, consolidated check-in and project submittal, the hiring and assignment of project managers to each project and the establishment of a Citywide Development and Permit Information function. Still in progress are the development of a project tracking system, the automation of map data, the consolidation of the permit issuance functions, and the implementation of improvements to the field inspection system. For detailed information on polices and programs related to permit processing and Process 2000, refer to Volume I, pp.52-.53.

It should also be emphasized that a number of variables beyond the City's control can affect the speed at which an application may be processed. A major variable is the speed with which at a permit applicant might respond to a City Department's request for additional information. Further delays in permit processing may also result from the complexity of the issues raised by the project proposal. Appeals by citizens opposed to projects and continuances at Planning Director, Planning Commission, and City Council hearings in addition to staff availability and workload may also delay projects. The most time consuming element in processing major residential projects is often the environmental review process. State legislation requires a rigorous public review procedure for environmental impact reports. However, the City will implement provisions in accordance to Section 21080.14 of the Public Resources Code, which specifies that certain affordable housing projects of 100 units or less may be exempted from CEQA if certain criteria are met (Volume I, p.56).

Additionally, the zoning code update resulted in adoption of a consolidated land use decision making process which became effective in 1993. The new ordinance reduced the number of permit processing tracks from more than twenty to five. Every type of action requiring a land use

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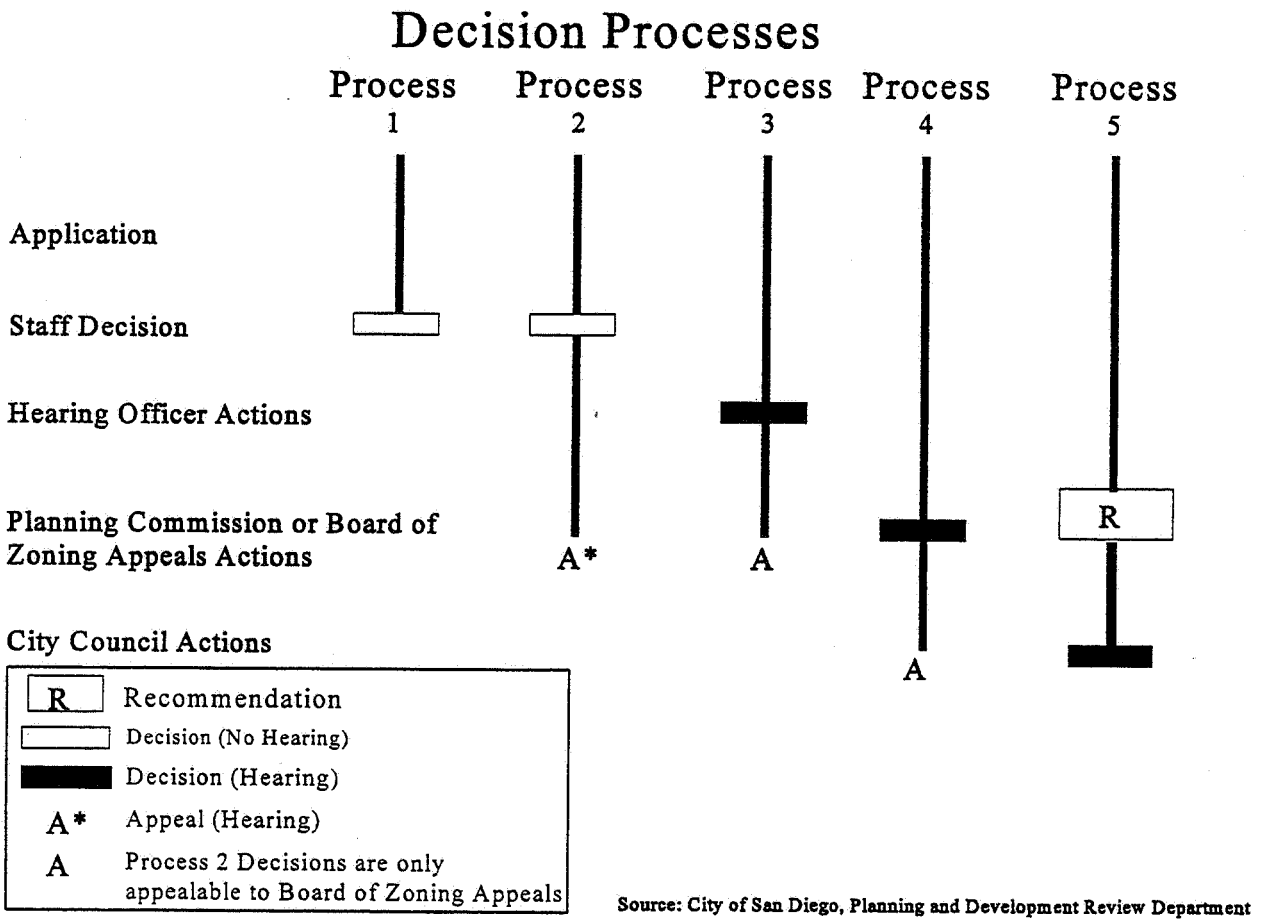
[37]The 52.68 percent reduction in average permit processing times for fiscal years 1991 through 1998 include Discretionary, Final Map, and Ministerial permits.

permit has been assigned to one of the five tracks. The tracks range from Process One, which involves actions which have staff review only with no public notice or formal appeal, to Process Five which requires a Planning Commission recommendation and a City Council decision. Figure 11 illustrates the five track system.

Figure 11



Source: City of San Diego, Planning and Development Review Department

A key component of the new five track process is a maximum of two hearings, either one decision and one appeal or one recommendation and one decision. Previously, an action could have been subject to three or more appeals. The new ordinance also requires noticing of the public of a proposed action soon after initial receipt. The intent is to enable early involvement of interested citizens in order for land use issues to be resolved early, rather than late, in the approval process. Early notification should result in a smoother and quicker approval process in the long term.

10. Article XXXIV of the California Constitution

Article XXXIV of the California Constitution, approved by the State's voters in 1950, requires local referendum authority before a public body (or, in certain cases, a private or nonprofit entity, using public funds) can develop, construct, or acquire property where the majority of residential units are to be used for low-cost rental housing. The referendum authority may be quite general. An Article XXXIV ballot measure need only propose, for example, that public agencies receive authorization to develop, acquire, or finance a certain number of units throughout the community to rent to low-income families or elderly.

The California legislature subsequently enacted Health and Safety Code Section 37000 et seq., which defined the terms "develop, construct, or acquire" and "low-rent housing" in ways that created exemptions from and thus limited the purview of Article XXXIV. For example, any rental development which, both before and after a public agency's acquisition, is subject to a contract for federal or state assistance to provide affordable housing for low-income households is exempt from the definition of "low-rent housing". And, in most instances, low-rent housing owned by a private or not-for-profit entity which is financed (in whole or part) with local public funds is not considered to be "developed, constructed or acquired" by a public body and is also exempt.

The voters of the City of San Diego have approved three referenda in 1972, 1976, and 1981, authorizing a total of 5,500 units of low-rent housing subject to Article XXXIV. The Housing Commission estimates that 1,450 units of that authorization now remain.

D. Nongovernmental Constraints

1. Availability of Financing

Financing for Market-Rate Housing

The availability of construction financing for market-rate residential development has improved over the past several years as local lending institutions have grown and new institutions have entered the market. Unfortunately, the local institutions have continued to either merge or be acquired by larger institutions from outside the area. This trend raises some concern as to the commitment that non-local lenders have to the San Diego market should the economy show signs of wellness and lending opportunities look more promising in other areas. Additionally, conservative lending criteria is still limiting the availability of large "acquisition and development" loans necessary to bring larger parcels and master plans to fruition.

Financing for Lower-Income Housing

The emergence of Low Income Housing Tax Credits has become increasingly important as a source of development capital for affordable housing during the 1990's. As this source of capital

has become more important, competition for the tax credits has become increasingly fierce. If successful, recent efforts to increase the credit "ceiling" could have a positive effect.

The return of a robust economy in San Diego has driven up single-home prices, placing them out of reach of most low-income families. Attached housing often provides both rental and entry-level ownership opportunities for lower-income households. Widespread construction defect litigation and a consequent difficulty in obtaining insurance has dampened builders' interest in condominium construction. Lack of production of this housing type has contributed to extremely low vacancy rates and consequent upward pressure on rents and sales prices.

There is still a need for the City/County Reinvestment Task Force which monitors the lending practices of institutions in low and moderate income areas. Through its work, the Task Force seeks to encourage institutions to invest in products and programs that promote affordable housing in those areas.

2. Land Prices

The cost of land is the aggregate expense incurred in the acquisition, the holding of land through the development process and the cost of site improvements prior to construction. Due to a variety of factors, land suitable for residential construction is becoming increasingly scarce in San Diego.

One factor is that most of the easily developable, relatively flat sites with good access and residential land use and zoning have already been developed. Increasingly, sites tend to be located on hillsides, other environmentally sensitive areas, or require redevelopment of an existing less intensive use.

Also contributing to the scarcity of residential development sites are the various factors cited under governmental constraints. Actions taken by the City to manage growth, protect the character of single-family communities, and to preserve environmental quality have reduced the amount of acreage available for residential development in many areas of the City. The rapid build-out of certain planned urbanizing communities such as Rancho Penasquitos, Carmel Mountain Ranch and Sabre Springs has also contributed to reducing the supply of remaining buildable sites.

San Diego land prices are also impacted by surrounding jurisdictions. Since 1985, many of these jurisdictions have adopted growth management measures that act to limit the supply of buildable land in areas beyond the City's boundaries.

During the 1980's, the cost of land in San Diego increased much more than rapidly than the overall cost of living. High land costs are probably the most important single factor in making San Diego one of the least affordable cities for housing in the nation.

Changes in land values tend to fluctuate in response to the national and local economic conditions. The most important measure for determining land costs is the value of finished residential lots that are planned, zoned, and subdivided for residential use. The value of finished lots has tended to move upward in response to increased scarcity of such lots. Finished lots are relatively free from the uncertainty that new regulations or restrictions could limit their future usability and value.

In early 1990, in the developing areas of the Interstate 15 corridor, standard 5,000 square foot single-family lots were valued at $100,000 to $150,000, representing at least a threefold increase over 1986 ($25,000 to $40,000). In the Carmel Valley/ Interstate 5 area, multifamily land zoned for 15 dwelling units per acre was value at approximately $400,000 per acre in 1986, increasing to $1,000,000 per acre in 1990. However, during the early 1990's demand for housing dropped significantly for the first time in several years, reflecting overall national economic conditions.

In 1998, Building Industry Association supplied data[38] indicated a return to the rapid increase in finished residential lot prices. Already high prices in the western north city community of Carmel Valley were up from the 1997 range of $200,000-$230,000 for single family lots, to $250,000 (5,000-7,000 square foot lots). Finished 5,000 square foot lots in the somewhat less expensive community of Carmel Mountain Ranch were $150,000 in 1998. A dramatic change in lot prices was recorded for the City of San Marcos in the north county area. The 1997 range of $60,000 -$90,000 (3,600 - 10,000 sq.ft. lots) was surpassed by a 1998 range of $100,000 - $180,000 (5,000 - 8,000 sq.ft. lots). Similarly, the upper end of single family lot prices jumped from $180,000 to $270,000 in Carlsbad from 1997 to 1998. Because the market is regional to a large extent, such increases tend to drive up prices in the other jurisdictions, including the City of San Diego.

One result of the high land prices has been a gradual tendency to construct larger homes on smaller lots. In the long term, high land costs will likely continue to provide a strong incentive for maximizing development on small lots.

The City has, for a number of years, offered density bonuses as a means of mitigating the impact of high land cost on low- and moderate- income housing production. Few developers have taken advantage of these bonuses because even with density incentives, provision of high cost housing at lower densities has been more profitable and less risky than building for the low- and moderate- income market.

3. Cost of Construction

Labor and materials dictate the direct costs of residential construction. It is difficult to compare specific construction costs of individual units or projects because of variable market conditions and housing features. The housing market took a dramatic plunge in the 1990's due to the

[38]Construction Industry Research Board

severest economic recession in California since the great depression. This forced many experienced laborers to leave California for areas such as Arizona and Nevada in search of work. The subsequent housing recovery beginning in 1997 has left the region with a labor shortage that is leading to higher labor costs due to market demand.

Housing construction costs in San Diego for a single family home ranges between $38 and $50 per square foot, excluding fees and land costs. Multi-family construction is more complex and the cost range can vary significantly. If multi-family construction is built on-grade with no underground parking, the cost can range from $46 to $50 per square foot. It climbs significantly to accommodate factors such as underground parking and multiple stories and can range from $85 to $105 per square foot.

While the individual cost of multi-family units tends to be lower overall due to economies of scale associated with density and larger numbers of units, land costs primarily and impact fees, secondarily force builders to produce luxury units in order to make a multi-family project economically feasible.

In addition, multi-family condominium construction in San Diego has dropped dramatically from 6,145 permits issued in 1990, to 2,298 permits issued as of September 1998.[39] This is due principally to construction defect claims. The resulting increase in cost or availability of insurance for condominium construction has dramatically reduced the construction of this housing type.

As a component of total project costs, direct construction cost for a single-family house is 33 percent of total. However, the limited availability and attendant rapid increase in the cost of entitled land promotes lot prices ranging from $150 thousand to $240 thousand for a four to ten thousand square foot lot which represents the potential for land costs to grow as a significant component on total housing costs.

[39]Construction Industry Board

HOUSING ELEMENT
VOLUME II

APPENDICES